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BUDGET EXECUTION IN THE DEPARTMENT OF AGRICULTURE WITH PARTICULAR
REFERENCE TO COMMODITY STABILIZATION SERVICE



(For Special Training Program for Foreign Agricultural Officials
Organized by
The International Cooperation Administration and
The United States Department of Agriculture)

June 14, 1956

BUDGET EXECUTION IN THE DEPARTMENT OF AGRICULTURE WITH PARTICULAR
REFERENCE TO COMMODITY STABILIZATION SERVICE

Department Apportionment Process

- I. This process begins with the signing by the President of the Appropriation Act for the Department.
 - A. Only then do the appropriations, authorizations and limitations become available to the Department.
- II. The first step is the "apportionment" of funds available for each activity.
 - A. This simply means the planning of the use of the funds available for each activity in relation to:
 1. The total amount required, based on then existing circumstances.
 2. The timing of the requirements during the fiscal year (by quarters).
 - a. They originated out of the need for controlling the use of funds to avoid deficiency appropriations.
 - B. These apportionments are requested by the Agency using the funds or, in the case of a fund jointly used by two or more agencies, the Agency which has primary responsibility for the program financed by the funds.
 1. The request for apportionment is submitted to the Office of Budget and Finance of the Department for each "main-head" item and each limitation thereunder.

2. The Department's Director of Finance, after appropriate review and adjustment where necessary, submits all main-head apportionments to the Bureau of the Budget for approval.

a. The Director of Finance approves all sub-appropriation items.

C. The apportionments after approval are returned to the respective agencies.

1. They then constitute additional limitations as to the amount of each fund which may be used through the end of each quarter of the fiscal year and the total amount to be used.

a. If less than the full amount of the appropriation is required - then a reserve, or saving, is planned.

b. A deficiency appropriation is requested if more than the full appropriation is required because of:

(1) A change in legislation since the appropriation was requested.

(2) Emergencies involving the safety of human life, protection of property, or welfare of individuals to whom the law requires specific payments to be made.

2. These apportionments are reviewed at least 4 times during the year and adjustments are requested as work programs change.

III. Concurrently with the request for apportionments, agencies request the allotment by the Secretary of funds made available to the Department for their respective activities.

A. Each agency receives for each item an Advice of Financial Action stating the amount made available and the conditions or limitations regarding its use.

IV. Reports are made to the Department Office of Budget and Finance, monthly showing the status of each appropriation and comparisons of the apportionments and obligations.

A. These reports provide a means of control by the Secretary of the financial resources of the Department, and of keeping all levels of administration above the individual agencies currently informed.

V. In summary, the major objectives of the systems of fund control used in executing the Department's Budget are:

A. Effective and economical expenditure of funds.

B. Use of each fund only for the purpose for which it was made available.

VI. The systems of fund control used in the various agencies of the Department, though all having the same basic objectives, differ in detail because of the different programs, organizational structure and nature of work.

A. I will describe to you the system utilized in the Commodity Stabilization Service, one of the larger agencies in the Department with a wide range of problems.

METHOD OF FUND CONTROL IN CSS

I. By "fund control" is meant the administration of the funds actually made available for program operations and for operating expenses, i.e., how the operating plan represented by the budget is actually carried out.

A. For operating expense funds, it includes the determination on a current basis of what work is necessary, how much money is needed for that work and a system of current recording and reporting which produces adequately accurate cost information to form a basis for such decisions and to assure compliance with the law.

B. For appropriated program funds it entails assurance that the funds are used as prescribed by law, and in the case of the capital funds of the Commodity Credit Corporation, it involves a continuous review and projections to assure ultimate availability of funds for program operations approved by the Board of Directors.

II. The system of fund control used by CSS is designed to accomplish the following results:

A. Utilization of each fund only for the purpose for which it was made available.

B. Utilization of each fund only to the extent justified by workload that is actually necessary for proper performance of the specific related activity.

C. Utilization of each fund so that it is distributed to the various organizational units carrying out the specific related activity in proportion to the share of the total workload performed by each unit.

D. Full observance of the provisions of Section 1211 of the General

Appropriation Act of 1951 with respect to apportionments and obligations.

1. Provides reporting requirements and possible penalties for over-obligations of allotments.

III. The problem of fund control in CSS is necessarily complex because of the following factors:

A. The large number of individual activities for which CSS is responsible.

1. Excluding ACP, there are about 10 major categories of activities.
2. A number of these activities are sub-divided into lesser activities which must be treated individually in budgets and fund control.

B. The several different sources of the funds used by CSS.

1. Appropriations, authorizations, allotments from other agencies, reimbursements for services, trust funds, revolving funds, working funds, and the borrowing authority and capital of the CCC.

C. The large number of different organizational units within CSS through which activities are carried out.

1. 20 Washington Divisions, with 12 field offices reporting directly to these Divisions.
2. 8 CSS Commodity Offices.
3. 48 State and 3 Insular ASC Offices.

4. 3,055 County ASC Committees.

a. Exhibit A represents a functional organization Chart for CSS.

D. The fact that each organizational unit in each category carries out more than one of the several activities of CSS.

IV. For each organizational unit, funds to pay salaries and other expenses are allocated from the particular funds made available to cover the work it performs.

A. For example, an office performing only CCC work would be financed entirely from CCC funds.

B. An office performing Section 32, CCC, Agricultural Supply, and Agricultural Adjustment functions would be financed in part from each of these funds.

C. The allocation from each fund to each organizational unit is made on the basis of an appraisal of the workload expected to be performed by that unit in carrying out activities authorized to be financed from that fund.

1. Funds are not allocated on a basis to maintain an existing organization if anticipated necessary workload will not justify keeping it at current strength.

2. The method used in the appraisal of workload varies with the category of organizational units involved.

a. For Washington Divisions, the Budget Division holds hearings with each, and each program job is thoroughly

reviewed by the Deputy Administrators and the Administrator.

- (1) In 1952, a position-by-position analysis of the work performed on each activity was made for each Branch and related to over-all workload indicators to form the basis for 1953 allocations.
 - (2) In the fiscal year 1953 a detailed review was made on a functional basis of the use of funds allocated for the fiscal year which will form the basis for appraisal of requirements for 1954.
- b. For the CSS Commodity Offices, detailed data on estimated workload in terms of units handled and time required per unit to handle each different type of work forms the basis for allocations.
 - c. For the State ASC Offices, detailed workload data on each program job forms the basis for allocations of each fund.
 - d. For the County ASC Offices in each State, a basic allowance sufficient to keep each office open and in position to serve farmers is allowed. (This allowance is made up of the different funds provided to finance County Office activities in the same proportion as each bore to the total expenditures last year). Data on workload for each activity forms the basis for the remainder allocated to each State.

D. Changes in workload form the basis for changes in allocations of individual funds allotted to each organizational unit after the initial allocations.

1. If the workload estimate which formed the basis for the initial allocation of a particular fund does not materialize, funds are withdrawn from the organizational units involved.
2. If workload increases above that originally estimated, the allocation is increased, if funds permit.

- a. If funds do not permit, work must be curtailed or delayed.

3. A detailed review meeting is held after each quarter-end by the Director of the Budget Division with each Division Director for the purpose of keeping funds in line with necessary workload.

E. After individual fund requirements are determined on a workload basis, and the Administrator has approved them, allotments are issued by the Director, Budget Division, to organizational units for control purposes.

1. Obligations are recorded currently by each allottee, and are reported monthly to the Budget Division for fund control purposes, and to the Fiscal Division for accounting and reporting purposes.
2. The allotment and obligation control system for the Washington Divisions (and field offices reporting directly thereto) and the CSS Commodity Offices differs from that

for the State and County ASC offices because of existing law.

a. Accordingly, they are discussed separately.

V. The system for Washington units and their field offices and for CSS Commodity Offices is as follows:

A. A letter of allocation showing the amount of each fund that it is estimated will be made available for the fiscal year's operations (after the Administrator's review) is sent to each organizational unit before July 1 if possible.

1. This is to permit each organizational unit to plan its work for the year and undertake any necessary downward adjustments in personnel as early as possible.

B. As soon as funds are made available, by the Appropriation Act, an Advice of Allotment is issued to each organizational unit.

1. This allotment Advice is the document which actually makes the funds available to the allottee, which controls the amount he may use, and which is used for accounting purposes.

a. It shows the specific amount of each fund made available and the quarterly limitations on the use of that fund.

b. It specifically states the conditions under which funds are made available.

C. For field offices of Washington Divisions which perform only one activity, allotments are made against the specific appropriation involved.

1. For example, an office performing only CCC and Section 32 would receive an allotment from these respective funds.

D. For the Washington Divisions, and their field offices, all of which perform more than one activity, and for the CSS Commodity Offices, the allotment is made against a disbursement account.

1. This is solely to facilitate disbursement for expenditures and to provide a means for more accurate and economical cost distribution.
2. From the standpoint of limitations on the use of each fund allotted against this account, the allotments are in effect "direct" allotments against the respective funds.
3. This disbursement account has been called the "CCC Consolidated Account" because the CCC Administrative Expense Account is used as the disbursement media, and this designation distinguishes the disbursement account from the CCC Administrative Expense Limitation.

E. In the use of this disbursement account, the identity and integrity of each fund is maintained throughout the allotment, obligation, recording and reporting processes, in the following manner:

1. The allotment advice shows the specific amount of each fund that is available for obligation and the quarterly limitations on the use of that fund.
2. Complete responsibility is placed on the allottee for assuring that obligations under each fund do not exceed the quarterly limitations under that fund.

- a. Any violations are reported as required under Section 1211 of the General Appropriation Act, 1951.
 - b. We have had several cases, all of which have been reported. All represent mistakes of one form or another; in no instance was there any wilful intent to violate the instructions.
3. The allottee is responsible for properly incurring, recording and reporting obligations under his allotment.
4. The Fiscal Division, CSS, is responsible for prescribing forms, procedures and standards for recording of obligations in the Branches and Offices.
- a. The obligation reports from the Divisions are consolidated by the Fiscal Division and the Forms 133 are prepared there, as required by Budget-Treasury Regulation No. 1.
 - b. The Fiscal Division is responsible also for appraising and approving the method of cost distribution used in each Division and Office, to assure that a sound and consistent method of costing is used to determine the proper obligations against each fund.
 - c. The Audit Division is responsible for the independent review and audit of the obligation records and cost system maintained in the Divisions and Offices.
- (1) In addition, the Corporation Audits Division of the General Accounting Office makes certain

audits of these records in connection with its audit of CCC and CSS operations.

(2) Technicians from the Accounting Systems Division of the General Accounting Office have also reviewed certain phases of the procedures in connection with their review of the system of control over limitations.

d. The Budget Division is responsible for prescribing the activities which shall be charged to each fund, and for reporting any violations of Section 1211 of the General Appropriation Act of 1951.

5. Obligations are recorded currently.

a. Obligations for objects of expenditure other than personal services are recorded against the fund for which they were incurred.

b. Obligations for personal services are recorded against each fund as soon as time and/or workload reports are completed for the reporting period.

6. Reviews have been made in each Division where time distribution is used to strengthen and tighten the procedures for accurate recording of time.

a. Approved accounting policies and practices relative to the allocation of administrative expenses have been reduced to writing and furnished each organizational unit involved.

b. The cost distribution system used by each organizational unit has been reduced to writing and reviewed for adequacy by the Fiscal Division.

c. The primary basis for cost distribution in CSS necessarily is the amount of time worked.

- (1) Where individuals work on more than one activity, daily time records are maintained showing the division of each day's time by activity.
- (2) Where an individual or group of individuals works on only one activity their time is reported as chargeable to that activity.
- (3) Where supervisors maintain individual assignment and performance records, they may submit the time report based thereon for employees under their supervision.
- (4) Time of supervisors and across-the-board-service units is distributed on the basis of time devoted to each activity by the personnel supervised or served.
- (5) Where work units of relatively equal effort are performed, time records are based on production records.
- (6) "Other objects" costs are identified to the particular activity for which incurred, where possible. The remainder is distributed on the

basis of the related personal services or other equitable bases.

d. Time records are given the importance of vouchers for cash in the system of control used.

(1) They must be properly documented.

(2) They must not be altered except upon competent authority for correction of errors, and such changes must be properly documented.

(3) They are subject to audit.

F. The obligation reports submitted monthly by each allottee show specifically for each fund the amount obligated under each allotment, by objects, and the man-months of time charged to each fund.

1. The originals of these reports become a part of the accounting records of the Fiscal Division or other accounting office.

a. They are consolidated by the Fiscal Division in preparing the Form 133 (Summary of Obligations).

b. They form the basis for a summary of obligations by fund, used to support a voucher drawn monthly to reimburse the disbursement account for all expenditures not chargeable to the CCC Administrative Expense Account.

2. A copy of each of these reports is furnished the Budget Division for fund control purposes.

a. The obligation against each fund is checked against

each allotment to determine compliance with quarterly limitations fixed by the allotment.

(1) Allottees are advised of results of the projection of the current rate of obligation against each fund.

- b. Analysis of the over-all status of each fund is made to determine compliance with quarterly apportionments approved by the Bureau of the Budget.
- c. Analysis is made of the obligations against each fund to determine if amounts may be withdrawn from individual organizational units, or if amounts are needed by other organizational units in the light of workload indicators available.
- d. Analysis of obligations is made to determine compliance with any special limitations placed on the use of particular funds, such as limitations on the amount that may be used for personal services.
- e. Analysis of the man-months of time charged to each fund is made to determine whether they appear reasonable in the light of workload indicators available, and if they do not, an explanation is requested of the organizational unit involved.

(1) These analyses are reviewed with the Director of each organizational unit each quarter.

G. As indicated earlier, workload indicators are used throughout the whole process of fund control.

1. They form the basis for initial allocations of individual funds to organizational units.
2. They are used where possible in the distribution of time and consequent recording of obligations.
3. They are used in appraising requests for increased allocation of funds and as a basis for decreasing allocations.
4. They are used to appraise the obligation and time reports by organizational units.
5. In addition, they are used in formulating budget estimates.

H. Administrative expense requirements of the CSS Commodity Offices (largely CCC expense) are tightly controlled by using a system of work measurement for both allocation of funds and budget estimates.

1. The major portion of the work in these offices is composed of transactions relating to accounting, transportation and warehousing activities, the volume of which fluctuates widely.
 - a. This work is largely measurable in terms of units.
 - b. Daily production records are maintained in each office to indicate the number of each item handled and the time required.
 - c. Production rates and production standards can thus be established.

2. Each office reports monthly the volume of each work unit handled, the time required to perform the work, and the number of units on hand, uncompleted, at the end of the month.

a. These reports make possible a current appraisal of the workload position of each office.

b. Actual work accomplished is compared on a monthly basis with the estimated volume on which fund allocations were based, and the required adjustments in funds are made on the basis thereof.

3. The initial allocations of funds to the CSS Commodity Offices are based on the estimated number of work units to be handled during the fiscal year, based on the program volume outlook at the beginning of the year.

a. Estimates of program volume (such as the number of bushels of wheat estimated to be placed under loan) are converted to the number of individual transactions to be handled, on the basis of conversion factors determined through past experience.

(1) These estimates are broken down by months on the basis of past experience and known trends.

b. Thus, an estimate of the workload for each office is made on a basis comparable with the monthly workload reports.

- c. By using production rates established on the basis of experience records, the estimated workload is converted to number of man-years required.
 - d. By using the average cost per man-year of personal services, the personal services cost for each office is estimated.
 - e. Other objects costs were estimated on the basis of estimated program volume.
4. By making revised estimates of program volume periodically as crop and other conditions change, and repeating the conversion thereof to cost, a means is provided by which the fund requirements of each office may be appraised currently.
5. The administrative expense requirements for the fiscal years 1953, 1954 and 1955 were determined in the manner just described.

VI. The allotment and obligation control system used in the budgetary administration of the State ASC Offices and the County ASC Offices differs in some respects from that described for the Washington and CSS Commodity Offices.

- A. The difference is due to the exercise of a desirable flexibility in the operation of these offices provided by Section 388 and Section 392 of the Agricultural Adjustment Act.
- B. Section 388(b) of the Agricultural Adjustment Act of 1938 reads as follows:

"(b) The Secretary is authorized and directed, from any funds made available for the purposes of the Acts in connection with which county committees are utilized, to make payments to county committees of farmers to cover the estimated administrative expenses incurred or to be incurred by them in cooperating in carrying out the provisions of such Acts. All or part of such estimated administrative expenses of any such committee may be deducted pro rata from the Soil Conservation Act payments, parity payments, or loans, or other payments under such Acts, made unless payment of such expenses is otherwise provided by law. The Secretary may make such payments to such committees in advance of determination of performance by farmers."

1. Under this authorization the Treasury Department and the GAO established the appropriation account "Local Administration, Section 388".
2. Thereafter estimated amounts were transferred to this account for carrying out programs utilizing the services of County Committees.
3. All advances for expenses of County Committees were then charged to this account.

C. In January 1942, Congress approved an amendment to Section 392(a) of the Agricultural Adjustment Act which made it read as follows:

"Sec. 392. (a) The Secretary is authorized and directed to make such expenditures as he deems necessary to carry out the provisions of this Act and sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, including personal services and rents in the District of Columbia and elsewhere; traveling expenses; supplies and equipment; lawbooks, books of reference, directories, periodicals, and newspapers; and the preparation and display of exhibits, including such displays at community, county, State, interstate, and international fairs within the United States. The Secretary of the Treasury is authorized and directed upon the request of the Secretary to establish one or more separate appropriation accounts into which there shall be transferred from the respective funds available for

the purposes of the several Acts, in connection with which personnel or other facilities of the Agricultural Adjustment Administration are utilized, proportionate amounts estimated by the Secretary to be required by the Agricultural Adjustment Administration for administrative expenses in carrying out or cooperating in carrying out any of the provisions of the respective Acts. (7 U.S.C. 1940 ed. Supp. IV, 1392 (a).)"

1. The purpose of the amendment was to provide an appropriation account, against which to charge all National and State Office administrative expenses, comparable to the one already established for expenses of County Committees (Sec. 388).

b. House Report No. 1077, (Exhibit 1), dated July 30, 1941, states in part:

'The bill amends Section 392 of the Agricultural Act, as amended, so as to accomplish the following purposes
****To provide for separate appropriation accounts for administrative expenses to be created from funds available to the AAA and thus do away with the requirement that all administrative expenditures be recorded and reported under separate appropriations.'

c. Senate Report No. 960 (Exhibit 2) dated January 16, 1942, includes as Exhibit A thereof a copy of a letter to the Hon. E. D. Smith from the Department as explanation of the legislation which reads in part:

'Under the proposed legislation each appropriation or fund available for administrative expenses would contribute its estimated share of such expenses to the appropriation account. All administrative expense disbursements would then be made from such an appropriation account thereby permitting easier administrative control and eliminating much fiscal and accounting work.'

D. Actual transfers to each of these accounts during the past fiscal year and anticipated transfers during the current and next fiscal years are shown in detail, by funds, in the Budget schedules.

1. The sum of the transfers to each account, as shown by the Budget schedules, or as limited by the Appropriation Act, and the estimated reimbursements, is apportioned in accordance with Budget-Treasury Regulation No. 1.
2. Actual transfers to each account from each fund are made in amounts not in excess of the current estimate of obligations to be incurred in carrying out the activity authorized to be financed from that fund.

- a. Transfers are made periodically during the year, not all at one time.

- b. In total, of course, the transfers are within the approved apportionments of individual funds.

E. The system of allotment and obligation control used with respect to Section 388 and Section 392 funds is as follows:

1. The basic difference between this system and that used for the Washington and CSS Commodity Offices is that the organizational units receiving allotments of Section 388 and Section 392 funds are not held legally responsible for keeping within a specified amount the obligations under each fund making up the total allotment.

- a. Instead, the allottee is held responsible for keeping obligations within the total only.

b. This is done on the basis of the fact that under the provisions of Section 388 and Section 392 of the Agricultural Adjustment Act, separate appropriation accounts have been created, each of which constitutes a limitation in total.

c. In other words, legally, funds transferred into the Section 388 or the Section 392 accounts lose their separate identity upon such transfer.

2. Although legal responsibility under Section 1211 of the General Appropriation Act is limited to the total amounts allotted from each of these accounts, the system of administrative control actually maintains the integrity and identity of each fund making up the consolidated accounts (388 and 392) insofar as is practicable.

a. Each allottee is advised of the make-up of the funds included in his Section 388 and in his Section 392 allotment, and he is instructed to plan his work so that the activities he carries out will be those which the individual funds were authorized to finance.

(1) The make-up of his total obligations is expected to be as closely in line with the make-up of the allotment as possible.

3. This control is accomplished through determining the total amount of the initial allotment from each of the two accounts for the fiscal year on an individual fund basis through use of workload data, and through regular reporting of obligations during the year on an individual fund basis.

a. Initial allotments are broken down by fund on the basis of the anticipated workload for the year.

(1) Actual workload during the past year serves as the basis for estimating anticipated workload.

(2) Each state receives a portion of each of the funds included in the appropriation account in line with the level of its workload.

(a) In the case of county funds, a basic allowance is made for each county, and the remainder is estimated on the basis of workload.

b. Each state submits a monthly report of obligations under Section 392, by fund, based on a cost distribution system set forth by instructions.

(1) The cost distribution is based on time reports.

(2) Changes in the total allotment of Section 392 funds are based on a justification in terms of workload applicable to a specific fund.

c. Each state submits monthly a report of total expenditures of Section 388 funds in the County office bank account and a report of expenditures of each fund included in the Section 388 account.

- (1) Allotments of Section 388 funds are made to states only; each state makes appropriate allocation of these funds to individual counties.
- (2) Section 388 funds are considered obligated when they are transferred by the state offices to the county office bank accounts.
- (3) Records of expenditures, by activity, are based on time records maintained in county offices and reported to state offices.
- (4) Changes in allotments of Section 388 funds are based on justification in terms of workload on a specific activity.

d. County offices also incur certain expenses in handling CCC program operations which are covered by transfers of CCC funds to the Section 388 account or are refunded to them by payment of properly supported sight drafts drawn on CCC.

F. Funds unobligated in Section 392 and Section 388 at the end of the fiscal year are not returned to the respective appropriations,

except in the case of advance reimbursements which are not used.

1. Balances remaining in County Office Bank Accounts are reported at the end of the fiscal year, and are considered in making allotments to individual States for the next fiscal year.

VII. Program fund control is a different problem from that of operating expense fund control.

- A. It is relatively simple for ACP, Sugar and School Lunch since the formula for distribution of each fund is set forth in the law.

1. Considerable paper work is involved in ACP and Sugar Program allotments, however.

- B. In the case of CCC capital funds the biggest problem is that of estimating in advance the availability of CCC funds to finance operations proposed to the Board of Directors for consideration.

1. The Budget Division certifies as to the estimated availability of funds for each docket presented to the Board for approval.

2. In effect, it is necessary to keep the program volume and non-program estimates (accounts payable, accounts receivable, borrowings, interest, etc.) projected 1 to 2 years ahead.

- a. Estimates are reviewed on as close to a monthly basis as possible.

b. Estimates for each individual operation have to be reduced to the net demand on available funds in each month of the period covered.

(1) Thus, the estimated timing of obligations to be incurred on the one hand, and receipts (or liquidation of obligations) is of great importance.

(2) This timing is estimated on the basis of past experience.

(a) The marketing cycle is the predominant factor.

(b) However, special circumstances will affect drastically both the receipts and obligations from month to month.

c. When the net obligation (or receipt) for each operation is added together with the corresponding figures for all other operations for each month, it is possible to obtain the estimated maximum total obligation against available funds which will occur for each month and in the whole period covered.

(1) Operations contemplated in a docket presented to the Board are reduced to an estimate of

net obligations - by months for the
period covered.

- (2) This estimate is then compared with the
over-all estimated availability reflected
by our projection.

- (a) On the basis of this comparison
the memorandum to the Board of
Directors from the Director,
Budget Division, regarding
availability of funds is
prepared.

